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Milk Prices Exceed 1948 Peak

The Dairy Situation, Economic Research Service USDA, November, 1967

Prices farmers receive for milk sold to plants and dealers in 1967 are expected to average about \$5.00 per 100 pounds, compared with \$4.81 in 1966. The previous high was \$4.88 in 1948. For January-October 1967, the price of wholesale milk averaged \$4.96 per 100 pounds, 23 cents or 5 percent above a year earlier. After gaining 8 percent during the first 7 months of this year, milk prices dipped below year earlier levels in August-October. The October price of all wholesale milk was \$5.31 per 100 pounds, 8 cents below last October. Lower prices for manufacturing grade milk and reduced use of milk for bottling have lowered the average price of milk slightly from year earlier levels since August.

Higher price support levels sustained first half milk prices above year earlier levels. The tight supply-demand situation for milk in 1966, which caused farm prices to rise sharply above support levels, moderated in 1967, as reduced commercial takings and higher first half imports resulted in substantial market removals of dairy products by USDA.

Fourth quarter prices farmers receive are advancing about 5 percent from third quarter prices, less than

the usual 9 percent. This year the elimination of seasonal Class I price differentials in Federal order markets has lessened the seasonal movement of prices. However, other major causes of seasonal price increases in fall months which continued to operate, are the increased production of milk supplies going into the higher-valued bottling uses and the seasonally higher milkfat content.

For 1967, manufacturing grade milk prices likely will average about \$4.10 per 100 pounds, up from \$3.97 in 1966. Adjusted to the 3.7 percent average annual milkfat test, manufacturing grade milk prices have been near the \$4.00 support price since last spring. The adjusted price for October was \$4.04 per 100 pounds. Excess supplies of milk in 1968 are likely to continue to hold manufacturing grade prices near the support level.

Class I prices this year likely will be up around 5 percent from 1966; prices for milk eligible for fluid use probably will gain somewhat less.

Milkfat prices farmers receive may average lower than the 67.0 cents in 1966, because butter has been in excess supply during 1967.

Summary of 1967 USDA Activities Promoting Milk & Dairy Products Consumption

Secretary of Agriculture Orville L. Freeman announced that U.S. Department of Agriculture programs to encourage consumption of milk and dairy products provided additional outlets for the equivalent of some 7 billion pounds of milk, or about 6 percent of total U.S. milk production in 1967.

He pointed out that during the year more than 6 billion half-pints of milk—about 3.5 billion pounds—were consumed by children in the National School Lunch and Special Milk Programs, and about 126 million pounds of cheese were donated for distribution to schools, needy families and charitable institutions. In addition, the expansion of the Food Stamp Program has been of direct benefit to the dairy industry and low-income consumers.

Secretary Freeman also took note of the fact that the U.S. Department of Agriculture recently made available from Commodity Credit Corporation surplus stocks 30 million pounds of butter, 5 million pounds of cheese, and 300 thousand pounds of nonfat dry milk for military use. The USDA has also made surplus dairy products available to the Veterans Administra-

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Columbus

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY

Producers' Uniform Price (3.5%)	\$5.56	\$5.52	\$5.73
Class I (3.5%)	5.78	5.50	5.89
Class II (3.5%)	3.96	3.91	3.92
Producer Butterfat Differential for each one-tenth percent	9.3¢	9.0¢	9.5¢

UTILIZATION SUMMARY

Percent of Producer Milk in Class I	80.1	86.2	84.7
Percent of Producer Butterfat in Class I	71.6	76.4	77.1
Percent of Producer Milk in Class II	19.9	13.8	15.3
Percent of Producer Butterfat in Class II	28.4	23.6	22.9

PRODUCER MILK RECEIPTS

Total Pounds Producer Milk Delivered	46,242,409	43,424,707	43,534,202
Average Daily Class I Producer Milk	1,205,069	1,257,208	1,238,813
Total Number of Producers	1,651	1,650	1,500
Average Daily Receipts per Producer	904	877	936
Average Butterfat Test	3.92	3.92	3.90
Total Value of Producer Milk at Test	\$2,656,136	\$2,428,781	\$2,571,173
Income per Producer (7 Day Average)	\$363	\$343	\$387

GROSS CLASS USE (Pounds)

Class I Skim	35,751,444	36,115,711	35,576,572
Class I Butterfat	1,296,592	1,299,084	1,309,919
Class I Milk	37,048,036	37,414,795	36,886,491
Class II Skim	8,679,299	5,607,602	6,258,610
Class II Butterfat	515,074	402,310	389,100
Class II Milk	9,194,373	6,009,912	6,647,710

AVERAGE DAILY SALES (Quarts)

Milk	400,284	414,844	426,620
Buttermilk	4,666	4,814	5,410
Chocolate	24,942	31,280	26,198
Skim	10,276	11,398	11,318
Cream	7,308	7,198	8,104

COMPARATIVE STATISTICS



COLUMBUS MARKETING AREA



DEC., 1958 - '67

Year	Receipts From Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class Prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1958	23,204,810	4.01	85.1	8.8	1.9	4.2	4.30	4.401	4.001	3.901	2.977	1,712	437
1959	27,160,559	4.01	83.4	6.2	2.1	8.3	4.85	4.758	4.358	3.854	3.155	1,693	518
1960	28,880,166	3.97	79.8	6.2	1.7	12.3	4.79	4.782	4.382	4.063	3.092	1,545	603
1961	32,916,637	3.98	78.0	6.1	1.9	14.0	4.61	4.600	4.200	3.919	3.267	1,329	799
1962	35,463,855	3.98	78.0	5.6	2.0	14.4	4.36	4.310	3.890	3.670	3.050	1,332	859
1963	38,923,732	3.96	77.5	5.8	1.7	15.0	4.62	4.65	4.214	3.785	3.082	1,366	919
1964	45,414,336	3.94	82.2	17.8	—	—	4.76	4.92	3.18	—	—	1,672	876
1965	45,459,868	3.88	82.7	17.3	—	—	4.83	4.92	3.36	—	—	1,615	908
1966	43,534,202	3.90	84.7	15.3	—	—	5.73	5.89	3.92	—	—	1,500	936
1967	46,242,409	3.92	80.1	19.9	—	—	5.56	5.78	3.96	—	—	1,651	904

Domestic Dairy Product Sales May Recover In 1968

The Dairy Situation, Economic Research Service USDA, November, 1967

In 1968, rising population and consumer incomes, and retail dairy prices near 1967 levels, point to some increases in milk and dairy product sales from 1967 low levels. However, the level of dairy prices has encouraged the use of lower-cost substitutes for dairy products. Examples are coffee whiteners, imitation milk, mellorine, and margarine.

In 1967, domestic sales of milk in all dairy products combined are expected to fall some 5 billion pounds milk equivalent from the 115 billion in 1966. This compares with the gain of about 1.2 billion pounds in 1966, and annual average gains of about 1 percent since 1961. In the first 9 months of 1967, commercial disappearance was down 5 percent from a year earlier. The rate of decline may slacken in the last quarter, because most wholesale and retail dairy prices probably will be about the same as year-earlier levels, after being sharply higher from mid-1966 to mid-1967.

The 1967 decrease in sales volume has been most marked for fluid whole milk, butter, nonfat dry milk, canned milk, and cream.

For the first 7 months of 1967, fluid whole milk sales in 75 comparable Federal and State markets were down 3 percent from a year earlier and cream and cream mixtures were down about 5½ percent.

Domestic butter sales declined 13

percent from 1960 to 1966, an annual rate of 2 percent. Present indications are that the 1967 drop may be near 10 percent. The 1967 drop in butter sales followed an average retail price rise from a year earlier of 13 percent in the last half of 1966 and 8 percent in the first half of 1967. However, starting in August, retail butter prices declined below 1966 levels.

Domestic nonfat dry milk sales in 1966 were up 9 percent from 1965 but only 2 percent from 1960. The sharp 1966 gain occurred in a tight-supply demand situation with manufacturers' prices up from a year earlier by 24 percent. Increased commercial disappearance may have occurred because of smaller supplies of solids-non-fat from other sources, and commercial users' stock-piling during the period of rising prices.

In the first half of 1967, nonfat dry milk prices continued at 23 percent above a year earlier, but by August, were running under the same month of 1966. In the first 8 months of 1967, commercial disappearance of nonfat dry milk was down 17 percent from the same period in 1966. This situation likely was a response to a continued high level of price, increased use of solids-not-fat from fluid skim and condensed milk, and the development and greater use of blends of other products as substitutes for nonfat dry milk as an ingredient in other

products.

Sales of low-fat fluid products are increasing—up 12 percent for January-July. Sales of low-fat frozen products, and cheese other than American are also up. American cheese sales, up some 10 percent last year, likely will not gain in 1967. Larger CCC donations to school lunch and welfare programs may have lowered these sales.

Consumption of milk in all products is falling less this year than sales. The reason is that CCC donations for use in domestic programs are rising to around 3½ billion pounds milk equivalent from the low 1.1 billion in 1966. Domestic civilian use of milk in all products is estimated at about 114.4 billion pounds, about 2 percent lower than in 1966. Total civilian consumption of both American and other cheese rose; that of most other major products declined.

Per capita consumption of milk in all products (milk equivalent, fat solids basis) likely will be about 584 pounds, down about 3 percent from the 604 pounds in 1966. This compares with about a 1 percent average annual decline for 1960 to 1966. About half this year's decline is in fluid milk and cream. Expected increases in domestic sales of milk in 1968, together with rising CCC donations of dairy products, may maintain per capita consumption.



SUMMARY OF ACTIVITIES . . .

(Continued from Front Page)

tion. In addition, about 350 million pounds of non-fat dry milk has been donated for foreign school lunch and welfare uses.

The Secretary observed that milk and dairy products have been included in USDA's Plentiful Foods Program during the year. This program helps to move agricultural products in plentiful supply to consumers, through normal commercial channels, by encouraging food distributors and food service industry to promote and advertise plentiful agricultural products. The USDA also prepares and distributes to institutions and newspapers, recipes built around dairy products. This activity helps consumers by calling their attention to food bargains.

The use of the USDA grade shield on dairy products, together with other inspection services provided by the Dairy Division of C & MS, assures consumers of high-quality dairy products, thus encouraging consumption.

It may be a small comfort to know that the U.S. citizen is not the highest taxed in the world. In fact, the U.S. breadwinner with a wife, two kids, and a \$10,000 a year income pays about \$900 less than his English counterpart and about \$100 less than his Canadian cousin.

Market Quotations

DECEMBER
1967

MINNESOTA-WISCONSIN PRICE SERIES	\$4.04
Butter-nonfat dry milk price, 3.5% per cwt. (Columbus)	3.96
Average Price per lb. 92-score butter at Chicago	.6769
Average carlot prices, spray process nonfat dry milk, f.o.b. Chicago area manufacturing plants.	.1946

U.S. Dairy Exports Down In 1967

The Dairy Situation, Economic Research Service USDA December, 1967

U.S. exports of dairy products, including shipments under Government programs, are expected to total about 0.5 billion pounds milk equivalent in 1967, down from about 0.8 billion pounds in 1966. Evaporated milk exports may exceed those of 1966 and nonfat dry milk exports may be up slightly. Exports of butter, condensed milk, and dry whole milk are down from a year earlier. These quantities do not include the approximately 0.5 billion pounds milk equivalent shipped off shore to U. S. territories and islands.

During January-August, except for shipments of nonfat dry milk under the Food for Peace Program, practically no exports were made from CCC stocks of dairy products. The CCC export sales and Payment-in-Kind programs both were suspended in early 1966. Government-to-government sales of nonfat dry milk were sharply reduced in 1966 because U.S.

supplies were low. Non-fat dry milk exports have been primarily for donation and sale under Food for Peace Programs. For all of 1967, these exports likely will approximate 400 million pounds, just above the 391 million of 1966.

Condensed milk exports under Title I of P. L. 480 were substantial in 1966, but relatively small in the first 3 quarters of this year. However, a new contract has been negotiated for delivery in the last quarter of 1967 which may bring 1967 exports of condensed milk to about four-fifths of last year's 80 million pounds.

In 1967, off shore shipments to U.S. territories and islands totaled almost a half billion pounds milk equivalent and were nearly as large as commercial exports. These shipments of American cheese and evaporated milk exceeded exports, but shipments of nonfat dry milk were only about a tenth as large.